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SUBJECT: TEXTILES AND APPAREL SECTOR: UPDATED
STATISTICS AND PROJECTED OF FUTURE COMPETITIVENESS (GUYANA)

REF: STATE 138090

11. SUMMARY: The textile and apparel sector in Guyana has approximately one large manufacturer and five small manufacturers. A steep decline in prices has offset a slight increase in production. While not an engine of growth, the textiles and apparel sector makes a small but valuable contribution to GDP, foreign exchange earnings and employment in Guyana. The sector is a particularly important generator of employment for unskilled female workers, who comprise 95% of the labor force in the sector. END SUMMARY.

PRODUCTION STATISTICS

12. Requested data on the Garments and Textiles Sector for 2005 and mid-year 2006 is as follows:

	2005	Mid-year 2006
Total manufacturing production (estimated USD million)	154	N/A
Total garments and textiles production (USD value)	N/A	N/A
Garments and textiles share of Guyana's imports (%)	1.02	0.94
Garments and textiles share of Guyana's exports (%)	1.35	2.04
Total garments and textiles imports (USD 000's)	7,899.7	3,957.5
Total garments and textiles exports (USD 000's)	7,429.8	5,409.1
Total garments and textiles exports to the U.S (USD 000's)	6,879.4	5,256.7
Total manufacturing sector employment (estimated)	32,300	32,800
Total garments and textiles employment(estimated)	2,500	2,580
Total garments and textiles production (dozens)	127,312.3	72,037.9

Sources: Guyana Bureau of Statistics, Bank of Guyana, Guyana Census 2002, post estimates

STATE OF THE INDUSTRY

13. Guyana's manufacturing industry as a whole grew by 1.9% in 2005, while textile production increased by 3.7%. Nevertheless, Guyana's producers have faced declining prices. The U.S. dollar value of Guyana's textile exports fell from \$11.3 million in 2004 to \$7.4

million in 2005, a decrease of 34.6%. Guyana's largest manufacturer, Denmor Garments Manufacturers, has reported an increase in the number of orders as compared to years past, resulting from an increase in demand from current customers (which include Wal-Mart, Russell Athletic, and Victoria's Secret) and also due to new companies seeking to source their product in Guyana.

¶4. G&C Sanata Company Inc. of China is the only textile factory in Guyana that is operated by foreign investor. The company ceased operation in June 2003, citing heightened international competition locally, regionally and internationally. The company also blamed high production costs (particularly electricity), lack of market access, high transportation costs and increased imports from China and India as other factors that lead to the closure of the factory.

IMPACT OF GLOBAL COMPETITION

¶5. According to GOG and industry sources, U.S. and EU restrictions on certain imports of textiles and apparel from China, effective through 2006, have not affected prospects for Guyana's manufacturers. According to officials in the Ministry of Foreign Trade, the GOG does not have any plans to implement safeguards or other measures to reduce the growth of imports of Chinese textiles and apparel into Guyana.

¶6. The increase in global competition has not affected local labor conditions by causing employers to trim employment, reduce wages, seek flexibility from government required minimum wages or restrain union activity. On the contrary, Denmor Garment Manufacturers, the nation's largest textile manufacturer and a supplier of apparel to the U.S. under the Caribbean Basin Trade Preferences Act (CBTPA), is in the process of increasing the company's labor force due to the increase in orders from existing customers and the receipt of orders

from new customers. The firm's owner intends to open a second factory in the Berbice region that will cater primarily to the domestic market. The sector is not unionized, and employees have not undertaken efforts toward union representation.

EFFORTS AT COMPETITIVENESS

¶7. Private industry has taken action to increase the country's competitiveness, such as improving infrastructure, lobbying for a ease in bureaucratic requirements, moving to higher value added goods and also identifying niche markets, such as uniforms and sports apparel. Industry is also in the process of introducing Quality Management Systems (Denmor boasts a 0.6% Acceptable Quality Level, for which it has been praised by its suppliers), seeking new markets and exploring new avenues for the sourcing of fabric.

¶8. The GOG has also taken actions to increase the country's competitiveness, such as ensuring duty free status on imports of machinery for the sector, introducing a 75% tax rebate on profits from non-traditional exporters and scrapping the consumption tax on the sale of local garments. However, at least one producer expressed concern about apparent inconsistencies between the Value Added Tax, set to be implemented in January 2007, and the current duty-free import scheme for manufacturing equipment in current customs legislation. Producers also continue to cite high transport and electricity costs as major obstacles to competitiveness. In addition, the high cost of finance capital (Guyana's average lending rate is 15%) reduces the ability for manufacturers to upgrade equipment.

¶9. COMMENT: The GOG's competitiveness strategy has primarily focused on modernization of the sugar sector, development of the services sector, and promotion of non-traditional agriculture. Accordingly, the GOG has done little to develop the textile and apparel sector. Aided by the CBTPA, around 95% of Guyana's textile exports are destined for the U.S., making it extremely vulnerable to demand swings and increased competition for access to the U.S. market. An analysis of the sector prepared by the Ministry of Foreign Trade identified low labor costs and a low time-to-market relative to China and India as comparative advantages for the sector's

competitiveness. However, without improvements to the investment climate that would attract investment in more large-scale production, Guyana's textile industry will not remain competitive in the face of heightened international competition. END COMMENT.

ROBINSON